

ACCOUNTANCY EXAMINING BOARD[193A]

Adopted and Filed Emergency

Pursuant to the authority of Iowa Code section 542.4, the Accountancy Examining Board hereby amends Chapter 1, “Definitions,” Iowa Administrative Code.

This rule making rescinds the amendment which was Adopted and Filed Emergency as **ARC 9483B** and simultaneously proposed under Notice of Intended Action as **ARC 9484B** in the May 4, 2011, Iowa Administrative Bulletin and which added a new paragraph “5” to the definition of “attest” in rule 193A—1.1(542).

As part of the Auditing Standards Board’s Clarity Project, guidance on the examination of financial controls at a service organization previously contained in Statement on Auditing Standard (SAS) No. 70 was replaced by Statement on Standards for Attestation Engagements (SSAE) No. 16. SSAE No. 16 was released in April 2010 and was effective for service auditors’ reports for periods ending on or after June 15, 2011. The Auditing Standards Board has characterized the change as a carefully considered step in reorganizing standards for clarity and convergence with international standards and utility.

In Iowa, this change by the Auditing Standards Board had the unintended effect of reclassifying service audits (of such entities as investment advisors and data centers) from “attest” services that must be performed by a CPA within a CPA firm to nonattest services that may be performed by anyone. Service audits are crucial services and should be performed by licensed professionals guided by the highest standards of professional ethics and competence. Public protection could have been substantially weakened in Iowa if the Accountancy Examining Board did not take steps to ensure that service audits, including the reporting on internal controls of service organizations, continue to be treated as attest services.

2011 Iowa Acts, House File 646, section 50, amends Iowa Code section 542.3(1)“a”(3) in a manner that makes unnecessary the rule making that was Adopted and Filed Emergency as **ARC 9483B**.

Pursuant to Iowa Code section 17A.4(3), the Accountancy Examining Board finds that notice and public participation are unnecessary because **ARC 9483B** had the unintended effect of lessening public protection and endangering mobility by omitting certain important services related to auditing from the definition of “attest” as defined by Iowa’s state law.

Pursuant to Iowa Code section 17A.5(2)“b”(2), the Accountancy Examining Board further finds that the normal effective date of this amendment, 35 days after publication, should be waived and the amendment made effective upon filing on July 22, 2011. As the previous amendment was effective for service auditors’ reports for periods ending on or after June 15, 2011, it is necessary for this amendment to be effective as soon as possible.

After analysis and review of this rule making, no impact on jobs has been found.

This amendment is intended to implement Iowa Code chapters 17A, 272C, 542, and 546.

This amendment became effective July 22, 2011.

The following amendment is adopted.

Amend rule **193A—1.1(542)**, definition of “Attest,” as follows:

“Attest” or “attest service” means providing any of the following services:

1. An audit or other engagement to be performed in accordance with the statements on auditing standards.
2. A review of a financial statement to be performed in accordance with the statements on standards for accounting and review services.
3. An examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements.
4. Any engagement to be performed in accordance with the auditing standards of the PCAOB.
5. ~~Any audit or other engagement regarding service organizations and service audits that as of April 7, 2011, would be performed in accordance with the statement on auditing standards and, in particular, SAS No. 70, shall continue to be performed in accordance with the statements on auditing~~

~~standards in effect on April 7, 2011, and shall not be guided by the statements on standards for attestation engagements and in particular SSAE No. 16.~~

The standards specified in the definition of “attest” are those standards adopted by the board, by rule, by reference to the standards developed for general application by the AICPA, the PCAOB, or other recognized national accountancy organization.

[Filed Emergency 7/22/11, effective 7/22/11]

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